

Income tax act

[Business](#), [Management](#)



Section 13 (1)(b) of Income Tax Act (ITA) 1967 explains about benefits that cannot convert into money, even though it has the monetary value that provided to the employee by or on behalf of the employer. It is not in term of cash, but it can measure in monetary term. However, these benefits cannot be sold, assigned or exchanged for cash due to two factors which are employment contract and the nature of itself. There are two keys factor of Benefit-In-Kinds (BIKs), firstly is the provider of the benefit which provides by an employer or the third party which is act on behalf of the company. Next is a destination of benefits which benefits must provide to the employee, his spouse, family, servants, dependents, and guest.

The employees who are also a taxpayer can enjoy several benefits such as childcare but must provide by the employer, medical or dental treatment. Moreover, food, drinks, and free transportation from home to the place of work or vice-versa, SOCSO contribution and premium insurance for covering the workers are tax exempted. In nutshell, the employee also exempted from tax if go for treatment of traditional medicine and maternity such as Malay, Chinese and Indian traditional medicine with registered under certificated bodies. Besides, the bills paid or expenses that registered under the employer's name is fully exempted.

Under Section 13(1)(b) of ITA 1967, the taxable values are must refer at BIKs schedule. For leave passage for the employee is tax exempted up to RM 3, 000 for airfare cost of traveling overseas and three times tax exempted for local traveling or travel within Malaysia included all costs in any calendar year. For the motorcar that provided by the employer to the employees for both business and private use, the benefits to be assessed is based on the

cost of the car included with fuel or the actual price of the car when the car was bought. Moreover, the value of benefits for the driver provided is RM 7, 200 per annum or RM 600 per month. For the household furnishing, the value of benefits is based on several characteristics such as semi-furnished or fully furnished. Others value of benefits is the house of mobile phone is fully exempted, a gardener is up to RM 3, 000 per annum and household servant is RM 4, 800 per annum. Moreover, for recreational club membership under corporate is not taxable.

Section 13(1)(a) of ITA 1967 is comprised of income received by the employee from the employer by having an employment or exercising an employment. These incomes such as salaries, fees, and allowances can convert into a monetary form. Under this section, pure gifts or testimonials received by the employee from the employer or the third party for the personal reason is tax exempted. Next, perquisite or allowance is the sums of cash or other capabilities that the employee received by the employer or the third party from having exercise or employment.

Furthermore, the example for perquisite is shares option by the company to the employee in the lower price compare to the market price and the allowance is likely allowance for transport, housing, food, and clothing. But for allowance is exempted up to RM 6, 000 only. Besides, this section requires the real figures to compute tax and different from Section 13(1)(b) of ITA 1967 which needs to refer at BIKs. Moreover, the bills paid or expenses that registered under the employee's name is tax exempted and an individual membership is taxable under Section 13(1)(a) of ITA 1967.

In nutshell, gratuity is a sum of money that given by the employer to its employee for the services rendered by the employee upon resignation or retirement is tax exempted based on certain conditions. It's not a matter whether received in monetary term or not a monetary term that can convert into money. Moreover, a death gratuity is tax exempted. Next, due to ill health and 55 years old or with 10 years of continuous employment with the same company or in the same group of company is also tax exempted. The employee who retired in age between 50 and 55 years old and at least 10 years of employment in the same company or same group of company with the collective agreement will exempt from tax.

The implication of tax by having benefited from employment assessed under Section 13(1)(b) of ITA 1967 and of Section 13(1)(a) of ITA 1967 is the employee can enjoy benefits from the claim on both Section 13(1)(b) and Section 13(1)(a) of ITA 1967. This can minimize the total income tax payable by the employee to the tax authority, The Inland Revenue Board (IRB). In addition, under Section 13(1)(a) of ITA 1967, the employee earned benefits by tax exempted or pay less tax for the gratuity, perquisite and allowance received. By this, the employee can enjoy more for money received.

Moreover, under Section 13(1)(b) of ITA 1967, the employee entitles for BIKs. This means, the employee exempted or pay less income tax for the benefits that provided by the employer.

The distinction of Section 13(1)(b) of ITA 1967 and Section 13(1)(a) of ITA 1967 is crucial as it would affect the computation of Section 13(1)(c) of ITA 1967, value of living accommodation to the employee. Furthermore, the

amount of furniture that provided under Section 13(1)(b) of ITA 1967 is required for derive the amount of define value in Section 13(1)(c) of ITA 1967 and to get the lowest value is 30 percent of Section 13(1)(a) of ITA 1967. Next, For the tax planning reason, it is preferable to claim BIKs than allowance. Besides, its also affected employment income under Section 4(b) of ITA 1967 then followed by aggregate income. It has a positive relationship with Section 4(b) of ITA 1967 and aggregate income.